

08 JULY 2015

### Key Statistics

**Code** : PNA  
**Listing** : AIM  
**Sector** : Support Services  
**Market Cap** : £47.9m  
**Share in issue** : 25.83m  
**Current Price** : 185.5p  
**12 month High/Low**: 191.5/117.5p

### Stock Performance



Source: Fidessa

### Company description

Penna consulting is a global people management business with an exceptional track record in the HR Services industry. Its experience and expertise spans three areas of organisational life where people have the power to make a big difference- Recruiting the right talent, developing people to fulfil their potential and managing career transitions when staff move on.

### HYBRIDAN LLP

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## A company for all seasons

Penna Consulting, the international human resources consulting group, was founded in 1973 and is widely recognised to be the pioneer of outplacement services in the United Kingdom, the activity which it continues to dominate, and is best known for. Outplacement can be defined as the efforts made by a downsizing company to help former employees transition to new jobs and help them re-orient themselves in the job market, a function usually outsourced to the likes of Penna. With this in mind one might imagine that Penna may struggle to prosper during an economic recovery or cyclical upswing, but prosper it has, as exemplified by last month's final results for FY Mar 2015.

Net revenues were up 24% to £44.7m, pre-tax profits by 70% to £4.6m and diluted EPS by 131% to 15.1p, with year-end net cash balances up 148% to £2.3m, thereby giving the Board the confidence to raise the final dividend by 166% to 4p, bringing the total to the year to 6p from 3p.

The excellent results are reflective of the diversified Group built up through acquisitions, which have now been firmly embedded within the company. In fact the Career Services division which includes Outplacement Services now accounts for less than half of Group revenues (44%) with Recruitment Solutions making up 43% and the remaining 13% generated by the Talent Practice.

And it was the Recruitment Solutions division that was the star of the show during the last reported twelve months with net revenue up 30% and pre-tax profits nearly trebling to £3m. However its not like Career Services performed badly. Despite rising employment rates the division generated 18% revenue growth and 7% profit growth driven by significant restructuring in the Retail sector and continued change in the Financial Services sector, both sectors where Penna dominates in terms of outplacement services.

Penna has an enviable list of Blue Chip clients including financial institutions such as HSBC and Santander the majority of the major supermarkets. Penna also has deep expertise in the Public Sector, and offers specialist recruiting into the Police Services including servicing the Met Police Force's entire recruiting needs. Penna also handles all recruitment for many government departments including those involved in intelligence services, thus requiring the highest levels of integrity and confidentiality. Penna is confident of future growth as clients increase their expenditure on recruitment and other HR projects. The smaller Talent practice Group (assessment and training) is also gaining traction and heading towards sustainable profitability thereby adding an additional contributor to the bottom line. Penna also continues to assess further acquisitions as shown by the acquisition of two small specialist recruitment companies this month.

Penna's share price has performed well but not at the same rate as the step change in earnings. The shares are up 56% over the last 12 months or 26% in the past month but at under 11x current consensus earnings are still at a decent discount to the sector which trades around the mid-teens. Penna is debt free and yields over 3%. Whats more it has a strong brand with high levels of client retention and inherent countercyclical protection through the Career Services division.

## Key Fundamentals

| Year Ending | Revenue (£m) | Pre-tax (£m) | EPS (p) | P/E | Div  | Yield    |
|-------------|--------------|--------------|---------|-----|------|----------|
| 31/03/2013  | 65.47        | 2.54         | 8.90    |     | 20.8 | 2.0 1.1% |
| 31/03/2014  | 69.02        | 0.08         | 6.55    |     | 28.3 | 3.0 1.6% |
| 31/03/2015  | 84.41        | 4.6          | 15.36   |     | 12.1 | 6.0 3.2% |

## Forecast

| Year Ending | Revenue (£m) | Pre-tax (£m) | EPS (p) | P/E | Div  | Yield    |
|-------------|--------------|--------------|---------|-----|------|----------|
| 31/03/2016  | 89.6         | 5.50         | 17.10   |     | 10.8 | 6.3 3.4% |
| 31/03/2017  | 95.5         | 6.00         | 18.70   |     | 9.9  | 7.3 3.9% |

Source: Digitallook (Consensus Forecasts)

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